GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1882
ANSWERED ON:09.03.2001
ACTION AGAINST SEBI OFFICIALS
VSM (RETD.) COL. CHOUDHARY

Will the Minister of FINANCE be pleased to state:

(a) whether a large number of Agro-based plantation companies vanished during 1998-99 without paying crores of innocent small investors but SEBI has miserably failed to take any action against such companies;

(b) whether in CRB Banking Company a big fraud wasdetected wherein this company was closed usurping about Rs.200 crores of public.

(c) If, whether any inquiry has been conducted in this regard;

(d) If so, the outcome thereof with the number of officials of SEBI found involved in this fraud; and

(e) The action taken against them ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (BALASAHEB VIKHE PATIL)

(a): Collective Investment Schemes (CIS) are regulated by the Securities and Exchange Board of India (SEBI). Many CIS entities ha collected funds from the public prior to being brought under the regulatory jurisdiction of SEBI. SEBI vide its press releasedated November 26, 1997 and its public notice dated December 18, 1997 directed existing schemes to file details of their schemes with it. SEBI received information from 642 entities who had reportedly raised approximately Rs. 2681 crores Subsequently, following the notification of the SEBI (Collective Investment Schemes) Regulations, 1999, 3 more entities applied for registration. SEBI has identified 177 companies which are not complying with listing requirements of stock exchanges and are not traceable at their registered office addresses. SEBI has issueddirections against 70 such companies and 302 directors of these companies prohibiting them from associating in any respect with capital market related activities. The names of these companies have also been forwarded to the Department of Company Affairs (DCA) and to the respective State Governments for appropriate actionDCA has initiated prosecution proceedings against 108 companies for not filing information and winding up proceedings against 25 companies.

(b) & (c): The in-principle approval given to CRB Group for setting up a private sector bank was withdrawn when irregularities committed by CRB Capital Markets Ltd. (a non-banking finance company in the CRB Group) came to the notice of RBI. Liquidatio proceedings have been initiated against CRB. The High Court has appointed an Official Liquidator.

(d) & (e): The Central Bureau of Investigation (CBI) has informed that their enquiry is complete andfurther steps are being taken as per procedures.